

# Money Management Myths Revealed



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Or....  
Letting money serve you  
rather than you serving  
money.



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Myth #1

Money makes you happy

Truth #1

Happiness is independent of  
money.



## Myth #2

I will have a car payment for the rest of my life.

## Truth #2

You can save for the next car before you need it.



Buying first = \$402.84 for 60 months      Total = \$24,170

Saving first = \$270.39 per month in 60 months  
grows to \$20,000

But only costs \$16,223

Additional cost over 5 years of borrowing = \$7,947



If you borrow you pay  
49% more for the same  
car than if you had saved  
the money first!



## Myth #3

As long as I can make the payments on my credit card, I'm doing "okay".



## Truth #3

If you can't pay the card off every month, you are in deficit spending.







## Myth #4

I can't afford to save for retirement now, it would be better to wait.....

## Truth #4

It costs more to wait, every time!

- ◆ To accumulate \$300,000 at age 65 (8% return per year) you must save this much each month.

- ◆ Age  
Amount

◆ 20	\$60
◆ 30	\$135
◆ 40	\$316
◆ 50	\$852





## Myth #5

My spouse has to work. We need the money.

## Truth #5

Most families can learn to live on one income.

# Cost of \$20,000 second income



## Taxes:

Social Security = \$1,530

Federal Tax = \$3,000

State Tax = \$1,000

Net after taxes = \$14,470

# Cost of \$20,000 second income



Other expenses:

Child Care = \$5,000

Second Car = \$2,000 to \$6,000

Eating Out = \$2,000

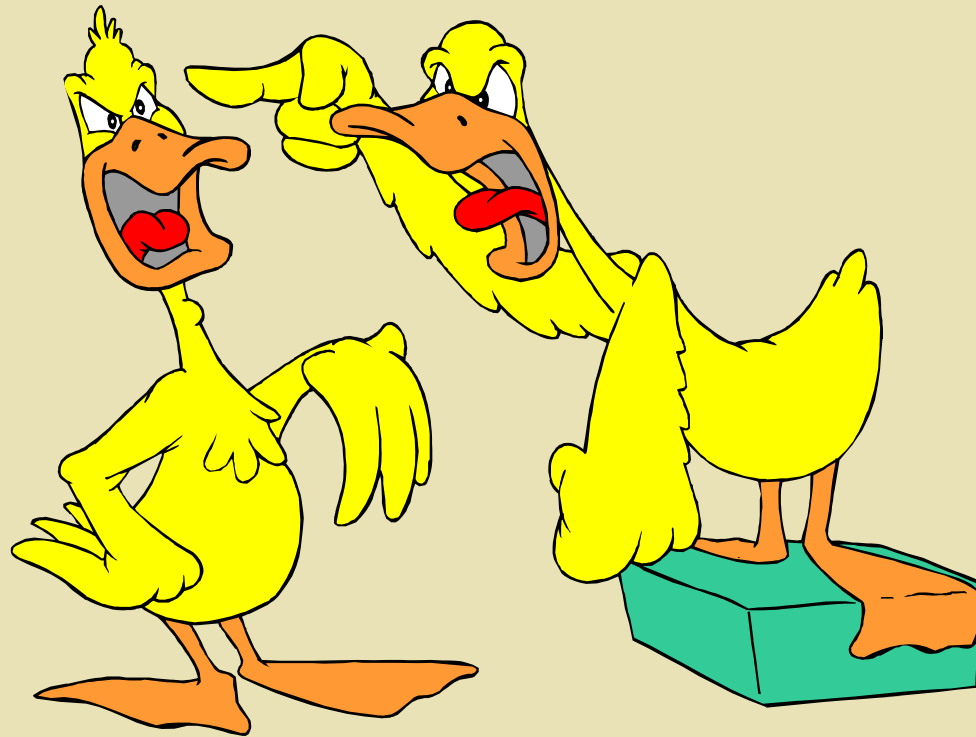
Clothing = \$500

Bottom Line = \$970 to \$4,970 left over!!



## Myth #6


Money will always be a source of conflict between my spouse and me.



## Truth #6

Communication is the key to family finances.





# Steps to minimizing tension about money with your spouse.

- ◆ Agree to live on less than you make.
- ◆ Develop common goals and a similar philosophy about money.
- ◆ Discuss expenditures first.
- ◆ Discuss investment risk before investing.



## Myth #7

We will always live paycheck to paycheck.

## Truth #7

Only if you fail to plan.



# Steps to financial freedom

1. Honestly evaluate your situation. Project forward.
2. Set financial goals.
3. Determine the funding needed to achieve them.
4. Make sure you have your contingency plan set up.